

26. VETERANS BENEFITS AND SERVICES

Table 26-1. FEDERAL RESOURCES IN SUPPORT OF VETERANS BENEFITS AND SERVICES

(In millions of dollars)

Function 700	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	18,908	18,973	18,941	18,939	18,925	18,927	19,584
Mandatory Outlays:							
Existing law	20,705	24,010	24,409	25,391	26,742	30,820	31,904
Proposed legislation	-188	-356	-915	-4,311	-3,903
Credit Activity:							
Direct loan disbursements	1,341	1,950	174	220	198	154	112
Guaranteed loans	24,287	24,844	23,440	22,895	23,399	22,786	23,287
Tax Expenditures:							
Existing law	2,966	3,136	3,310	3,505	3,710	3,930	4,160

The Federal Government provides benefits and services to veterans (and their survivors) of conflicts as long ago as the Spanish-American War and as recent as the Gulf War, recognizing the sacrifices of wartime and peacetime veterans during their military service. The Federal Government spends over \$40 billion a year on veterans benefits and services, and provides over \$3 billion in tax benefits, to compensate veterans and their survivors for service-related disabilities, provide medical care to low-income and disabled veterans, and help returning veterans prepare for reentry into civilian life through education and training. In addition, veterans benefits provide financial assistance to needy veterans of wartime service and their survivors.

About six percent of veterans are military retirees, who can receive both military retirement from the Department of Defense (DOD) and veterans benefits from the Department of Veterans Affairs (VA). Active duty military personnel are eligible for veterans housing benefits, and they can contribute to the Montgomery GI Bill (MGIB) program for education benefits that are paid later. VA employs about 20 percent of the non-Defense

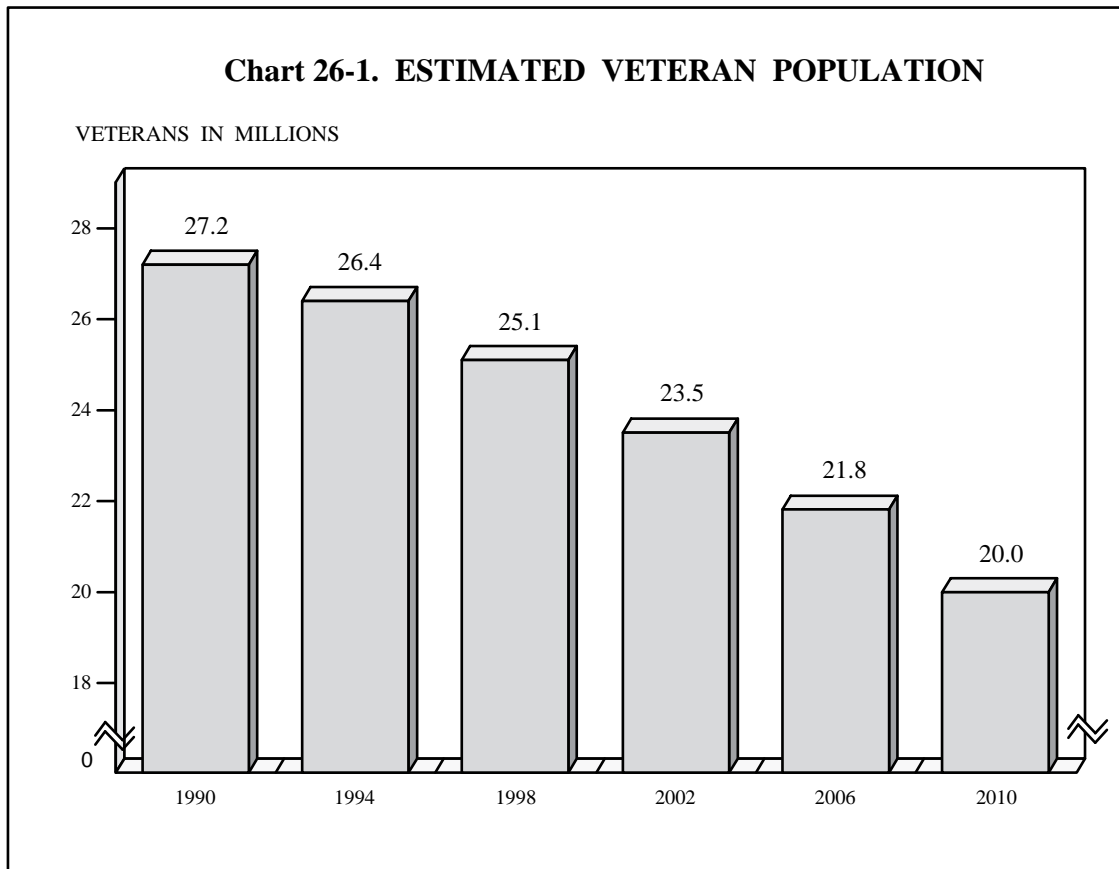
workforce of the Federal Government—almost 250,000 people, about 217,000 of whom deliver or support medical services to veterans.

VA's mission is "to administer the laws providing benefits and other services to veterans and their dependents and the beneficiaries of veterans. To serve America's veterans and their families with dignity and compassion and be their principal advocate in ensuring that they receive medical care, benefits, social support, and lasting memorials promoting the health, welfare and dignity of all veterans in recognition of their service to this Nation."

The veteran population is declining, with most of the decline among draft-era veterans, meaning that a rising share of veterans comes from the All-Volunteer Force (see Chart 26-1). Thus, the types of needed benefits and services will likely change. Further, as the veteran population shrinks and technology improves, access to, and the quality of, service should continue to improve.

Medical Care

VA provides health care services to 3.1 million veterans through its national system of 22 integrated health networks, consisting of 172 hospitals, 439 ambulatory clinics, 131



nursing homes, 40 domiciliaries¹, and 206 readjustment counseling centers. VA is an important part of the Nation's social safety net because over half of its patients are low-income veterans who might not otherwise receive care. It also is a leading health care provider for veterans with substance abuse problems, mental illness, HIV/AIDS, and spinal cord injuries because private insurance usually does not fully cover these conditions.

VA's core mission is to meet the health care needs of veterans who have compensable service-connected injuries or very low incomes. The law makes these "core" veterans the highest priority for available Federal dollars for health care. However, VA may provide care to lower-priority veterans if resources allow and if the needs of higher-priority veterans have been met.

In recent years, VA has reorganized its field facilities from 172 largely independent

medical centers into 22 Veterans Integrated Service Networks, charged with giving veterans the full continuum of care. Recent legislation eased restrictions on VA's ability to contract for care and share resources with Defense Department hospitals, State facilities, and local health care providers.

To move further toward improving the health care of our Nation's veterans, VA will continue to enhance the efficiency, access, and quality of care. Through 2002, VA will pursue its "30/20/10" goal:

- reduce the cost per patient by 30 percent (and by 11 percent in 1999);
- increase the number of patients treated by 20 percent (and by nine percent in 1999); and
- increase resources from outside sources to 10 percent (and by five percent in 1999).

In addition, VA has formed a national partnership with the American Hospital Association, the American Medical Association,

¹Domiciliaries serve homeless veterans and veterans who require short-term rehabilitation.

the American Nurses Association, and other national associations to ensure patient quality of care.

By 2003, VA plans to:

- increase the number of patients with high volume common disease entities who are treated using clinical guidelines to 90 percent (and to 60 percent in 1999);
- increase the scores on the Chronic Disease Index to 95 percent (and to 91 percent in 1999); and
- increase the scores on the Prevention Index to 95 percent (and to 87 percent in 1999).

Medical Research: VA's research program provides about \$300 million to conduct basic, clinical, epidemiological, and behavioral studies across the entire spectrum of scientific disciplines, seeking to improve veterans medical care and health and enhancing our knowledge of disease and disability. VA is reorganizing its research to ensure that all projects clearly relate to the health care of veterans. In 1999, VA will focus its research efforts on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma related impairment, health systems research, special populations (including Persian Gulf veterans), and military occupational and environmental exposures.

- At least 99 percent of funded projects will be relevant to VA's mission in 1999, achieving the VA's goal.

Health Care Education and Training: The Veterans Health Administration is the Nation's largest trainer of health care professionals, with about 107,000 students a year who get some or all of their training in VA facilities through affiliations with over 1,000 educational institutions. The program trains medical, dental, nursing, and associated health professions students to ensure an adequate supply of clinical care providers for veterans and the Nation as a whole. The program will continue to realign its academic training and update its curriculum, focusing more on primary care to better meet the needs of the Veterans Health Administration and its patients, students, and academic partners.

- In 1999, VA will train 44 percent of its residents in primary care and, in 2003, increase that figure to 48 percent.

Veterans Benefits Administration (VBA)

VBA processes veterans claims for benefits in 58 regional offices across the country. Its workload peaked in 1993 and 1994, when it needed 214 days to process a claim. As the veteran population declines, the number of new claims and appeals will also likely decline. In 1997, the number of days to process a new claim averaged 133. VBA is developing a comprehensive strategic plan to further improve processing performance. Its current strategic goals include:

- improving responsiveness to customer needs and expectations;
- improving service delivery and benefit claims processing;
- ensuring best value for the available taxpayers' dollar; and
- ensuring a satisfying and rewarding work environment.

Income Security

Several VA programs help veterans and their survivors maintain their income when the veteran is disabled or deceased. The Federal Government will spend over \$21 billion for these programs in 1999, including the funds Congress approves each year to subsidize life insurance for veterans who are too disabled to get affordable coverage from private insurance. Veterans can receive these benefits along with the income security that goes to all Americans, such as Social Security and unemployment insurance.

Compensation: Veterans with disabilities resulting from, or coincident with, military service receive monthly compensation payments, based on the degree of disability. The payment does not depend on the veteran's income or age, or on whether the disability is the result of combat or a natural-life affliction. It does, however, depend on the average fall in earnings capacity that the Government presumes for veterans with the same degree of disability. Survivors of veterans who die from service-connected injuries receive payments in the form of dependency and indemnity com-

pensation. Benefits are indexed annually by the same cost-of-living adjustment (COLA) as Social Security, which is an estimated 2.2 percent for 1999.

The number of veterans and survivors of deceased veterans receiving compensation benefits will total an estimated 2.7 million in 1999. While the veteran population will decline, the compensation caseload will remain relatively constant due to changes in eligibility and better outreach efforts. COLAs and increased payments to aging veterans will increase compensation spending by about \$3 billion from 1999 to 2003.

- In 1999, VA will process original compensation claims in 106 days, dropping to 53 days in 2002.

Pensions: The Government provides pensions to lower-income, wartime-service veterans, or veterans who became permanently and totally disabled after their military service. Survivors of wartime-service veterans may qualify for pension benefits based on financial need. Veterans pensions, which also increase annually with COLAs, will cost over \$3 billion in 1999. The number of pension recipients will continue to fall from an estimated 673,000 in 1999 to less than 600,000 in 2003, as the number of veterans drops.

- In 1999, VA will process original pension claims in 80 days, dropping to 29 days in 2002.

Insurance: VA has provided life insurance coverage to service members and veterans since 1917 and now directly administers or supervises eight distinct programs. Six of the programs are self-supporting, with the costs covered by premium payments from the policyholders and earnings from investments in Treasury securities. The other two programs, designed for service-disabled veterans, require annual congressional appropriations to meet the costs of claims. Together, these eight programs will provide \$488 billion in insurance coverage to over 4.7 million veterans and service members in 1999. The program is designed to provide insurance protection and best-in-class service to veterans who can't purchase commercial policies at standard rates because of their service-connected disabilities. To reach this goal, the program is designed to provide

disbursements (death claims, policy loans, cash surrenders) quickly and accurately, meeting or exceeding customer expectations.

- In 1999, VA will pay insurance claims in three and a half days, dropping to 2.8 days in 2002.

Veterans Education, Training, and Rehabilitation

Several Federal programs support job training and finance education for veterans and others. The Labor Department runs several programs just for veterans. In addition, several VA programs provide education, training, and rehabilitation benefits to veterans and military personnel who meet specific criteria, including the Montgomery GI bill (the largest of these programs), the post-Vietnam-era education program, the Vocational Rehabilitation program, and the Work-Study program. Spending for all VA programs in this area will total an estimated \$1.5 billion in 1999.

The Montgomery GI Bill: The Government originally created MGIB as a test program, with more generous benefits than the post-Vietnam-era education program, to help veterans move to civilian life as well as to help the armed forces with recruitment. Service members who choose to enter the program have their pay reduced by \$100 a month in their first year of military service. The VA administers the program, paying basic benefits once the service member leaves the military. Basic benefits now total over \$16,000 (about 13 times the original reduction in the service member's pay).

MGIB beneficiaries receive a monthly check based on whether they are enrolled in school on a full- or part-time basis. They can get 36 months worth of payments, but they must certify monthly that they are in school. DOD may provide additional benefits to help recruit certain specialties and critical skills. Nearly 310,000 veterans and service members will use these benefits in 1999. The MGIB also provides education benefits to reservists while they are in service. DOD pays these benefits, and the VA administers the program. In 1999, over 76,000 reservists will use the program. Over 90 percent of MGIB beneficiaries use their benefits to attend a college or university. The Administration will propose

legislation to enact a one-time, 20-percent rate increase for all MGIB beneficiaries, dependents, and survivors.

- In 1999, VA will increase the participation rate of eligible veterans in the MGIB from its current 37 percent to 45 percent, and increase the figure to 69 percent in 2003.

Veterans Housing

Along with the mortgage assistance that veterans can get through the Federal Housing Administration insurance program, the VA-guaranteed loan program in 1999 will help an estimated 222,000 veterans get mortgages, totaling almost \$24 billion. The Federal Government will spend an estimated \$264 million on this program in 1999, reflecting the Federal subsidies implicit in loans issued during the year. Slightly over 40 percent of veterans who have owned homes have used the VA loan guaranty program. To increase veteran home ownership and the program's efficiency, VA will cut its administrative costs.

- In 1999, VA will reduce the servicing cost of each loan to \$193, from its 1997 level of \$334.

National Cemetery System

The VA provides burial in its National Cemetery System for eligible veterans, active duty military personnel, and their dependents—with the VA managing 115 national cemeteries across the country. VA will spend over \$90 million in 1999 for VA cemetery operations, excluding reimbursements from other accounts. Over 73,000 veterans and their family members were buried in National Cemeteries in 1997. The system is working to ensure that all eligible veterans have

reasonable access to a burial option. The program will complete construction of four new national cemeteries, expand existing cemeteries, develop more effective use of available burial space, and encourage States' participation in the State Cemetery Grants Program.

- In 1999, VA will increase the percentage of veterans served by a burial option within a reasonable distance to 75 percent.

Related Programs

Many veterans get help from other Federal income security, health, housing credit, education, training, employment, and social service programs that are available to the general population. In addition, a number of these programs have components specifically designed for veterans. Some veterans also receive preference for Federal jobs. Starting in 1999, the children of Vietnam veterans will receive compensation if they are afflicted with spina bifida, which the Government will presume was caused by a veteran parent's exposure to herbicides.

Tax Incentives

Along with direct Federal funding, certain tax benefits help veterans. The law keeps all cash benefits that the VA administers (disability compensation, pension, and GI bill benefits) free from tax. Together, these three exclusions will cost about \$3 billion in 1999. The Federal Government also helps veterans obtain housing through veterans bonds that State and local governments issue, the interest on which is not subject to Federal tax. In 1999, this provision will cost the Government an estimated \$75 million.